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A REVIEW OF PATENT LEGISLATION PROPOSED IN 2015

by Paul S. Mazzola

A growing public demand for curbing the egregious practices of non-practicing entities (NPE), commonly known as “patent trolls,” has led to several pieces of proposed legislation within Congress this year to date. An NPE is a person or company who leverages patent rights in an attempt to extract settlements from purported infringers, but does not practice the technology of the patents in question. The tactic is often successful based on the exorbitant cost and complexity of patent litigation, and the ease with which a patent infringement lawsuit can be initiated. According to some statistics, NPEs account for 67% of newly filed patent infringement lawsuits. The practice of attacking, for example, small business owners and university research facilities stifles economic growth and innovation, respectively, requiring Congress to intervene.

With origins stemming back to late 2013, the **Innovation Act** was introduced by House Judiciary Committee Chairman Bob Goodlatte (R-VA) on February 5, 2015. A key provision of the bill is a heightened pleading standard, whereby a plaintiff in a patent infringement lawsuit is required to allege “with particularity,” as of the time of filing and subject to exceptions, how each limitation of each asserted claim in each asserted patent is found within each accused product or instrumentality. Further, the Innovation Act requires a patent owner in litigation to disclose “the ultimate parent entity” of any assignee of the patent. The provision seeks to eliminate an NPE from insulating itself from, among other things, the fee-shifting provisions of the Innovation Act through an undisclosed shell holding company. In instances when a lawsuit is initiated, the Innovation Act provides for limited discovery until after a claim construction ruling, which may significantly reduce litigation costs, particularly when a claim construction ruling is dispositive in the case.

The fee-shifting provision requires courts, with exceptions, to award to the prevailing party reasonable attorneys’ fees and other expenses unless a judge finds, among other things, that the position and conduct of the non-prevailing party was reasonably justified in law and fact. Further, the Act provides for involuntary joinder of interested parties, which is particularly relevant when the principal non-prevailing party is unable to satisfy a judgment.

A common practice of NPEs is sending vague letters alleging infringement of a patent and demanding a sizeable fee under the threat of lawsuit. The “demand letters” have wreaked havoc, particularly with small business owners, who often are pressured into succumbing to the demand rather than face vexatious litigation. Often, however, bona fide (*i.e.*, non-NPE) patent holders send pre-suit letters to provide notice to alleged infringer, after which continued infringement may expose the infringer to treble damages. The Innovation Act attempts to resolve these competing positions by requiring a pre-suit demand letter, if to serve as a basis for proving willful infringement, identify the patent in question, the ultimate parent entity, the accused product, and how the product infringes at least one claim of the patent.

The Innovation Act also provides a stay for consumer suits by allowing a manufacturer to intervene in a lawsuit against its customers. The mechanism shifts the burden of litigation from individuals and small business owners, perhaps using off-the-shelf technology, to a manufacturer with greater resources and interest in defending its product. The Act also

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contains other provisions related to post-issuance reviews, foreign bankruptcy filings, and obviousness-type double patenting.

Critics of the Innovation Act have been especially concerned with the fee-shifting and joinder provisions. For example, requiring a losing party in patent litigation to pay their opponent's legal fees could discourage the filing of meritorious patent suits by small businesses. For another example, the involuntary joinder provision could require a university receiving a licensing fee to pay damages for the actions of a third-party over which they had no control.

To ameliorate the provisions of the Innovation Act viewed as too aggressive, Senate Judiciary Committee Chairman Chuck Grassley (R-IA) introduced ***The Protecting American Talent and Entrepreneurship (PATENT) Act*** on May 5, 2015. The bill contains nearly all of provisions as the Innovation Act with some key exceptions. Specifically, as opposed to a presumptive fee-shifting regime, the PATENT Act provides reasonable attorneys' fees for the prevailing party if the prevailing party "show[s] that the non-prevailing party's position was not objectively reasonable." The difference is subtle but powerful. Further, the PATENT Act contains no joinder provision, much to the praise of universities and non-profit technology transfer offices.

Following introduction of the Innovation Act yet prior to the introduction of the PATENT Act, Senator Chris Coons (D-DE) introduced the ***Support Technology and Research for Our Nation's Growth (STRONG) Patents Act of 2015*** on March 3, 2015. The bill is primarily focused on combating the view that valid patents are weakened by post-issuance proceedings (and the threat thereof) before the Patent Trial and Appeal Board (PTAB). In particular, the STRONG Patents Act of 2015 mirrors the Innovation Act and the PATENT Act by requiring the PTAB, in disposing of claim construction in *inter partes* review (IPR) and post-grant review (PGR), use the "ordinary and customary meaning" standard instead of the "broadest reasonable interpretation" standard. Further, the bill requires the PTAB to consider previous construction of the claims or claim terms at issue by a court, provided the patent owner was a party to the prior civil action. Still further, an issued patent being challenged would enjoy the presumption of validity. The provisions effectively bring post-issuance proceedings in line with federal court litigation in an attempt to slant post-issuance proceedings in favor of the patent owner.

The STRONG Patents Act of 2015 also includes lowering the standard for a finding of willful infringement to a preponderance of the evidence. The bill also creates a cause of action under the Federal Trade Commission Act for sending a demand letter in bad faith. The Act also contains, among others, provisions related to micro-entity status for universities and other institutions of higher learning, one-year time limit for *ex parte* reexamination following service of a complaint, and lowering the standard for proving induced infringement.

Of note, the STRONG Patents Act of 2015 does not contain fee-shifting or joinder provisions.

Another narrower approach than the expansive legislation of the Innovation Act and the PATENT Act is the ***Targeting Rogue and Opaque Letters (TROL) Act*** introduced by Chairman of the Commerce, Manufacturing, and Trade Subcommittee Michael Burgess (R-TX). Specifically directed to the extortive use of demand letters, the TROL Act categorizes "certain bad faith communications in connection with the assertion of as United States patent" as "unfair or deceptive act or practices." The TROL Act treats any violation as unfair trade practices under the Federal Trade Commission Act. Effectively transferring primary enforcement to the Federal Trade Commission (FTC), the TROL Act potentially exposes NPEs sending abusive demand letters up to \$5 million in civil damages for a series of related violations.

One notable piece of legislation not directly related to NPEs is the ***Grace Period Restoration Act***. Companion forms of the bill were introduced in both the Senate and the House of Representatives on April 14, 2015. The Act addresses "unintentionally ambiguous language" in the Leahy-Smith America Invents Act (AIA) that limits the one-year grace period following a public disclosure yet prior to filing. The Act adds a section 102(b)(3) in Title 35 of the United States Code to protect an inventor from disclosures by others after the inventor has made a public disclosure of the claimed invention in a "printed publication." The extent of the disclosure in the printed publication by the "covered person" must be "in a manner that satisfies the relevant section 112(a) requirements" (e.g. written description and enablement requirements). The Grace Period Restoration Act attempts to encourage robust disclosure of innovation and sharing of information within the scientific community.

As one can see, most of the bills directed to curbing abusive practices of NPEs share numerous similarities. Given the growing attention to the issues related to "patent trolls," many are optimistic that at least one of the above pieces of legislation, or a combination thereof, will progress into law. To date, the bill furthest along is the TROL Act, which was approved by the House Energy and Commerce Committee on April 29, 2015, and now will be presented before the House of Representatives. Regardless of its success, the topic of patent litigation reform will undoubtedly be at a forefront throughout the remainder of 2015.

CONVERGENCE IN EUROPEAN AND U.S. PATENT PROTECTION FOR PLANTS

by Daniel M. Lorentzen, Ph.D.

U.S. patent protection for plants permits a patent owner to have U.S. market exclusivity, in exchange for full disclosure of the unique features of the plant. Uncertainty regarding plant protection in other jurisdictions, however, has made development of global patent strategies challenging. Recent developments have clarified plant patent protection in Europe, and brought European patent protection for plants into close agreement with U.S. protection.

Patent Protection for Plants in the U.S. and Europe

Section 101 of the U.S. patent law (Title 35) allows for protection of any invention or discovery of “any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof.” In enacting Section 101 as it currently exists, Congress intended that patent protection extend to “include anything under the sun that is made by man.” This broad provision is subject to a number of statutory limitations—utility, novelty, and non-obviousness—and judicially created exceptions. In 2001, the U.S. Supreme Court held in *J. E. M. Ag Supply v. Pioneer Hi-Bred International* that plants fall within the broad scope of patent protection.¹

Like U.S. patent law, European patent law—codified in the European Patent Convention (EPC)—has an initial broad provision for protection: “any inventions, in all fields of technology, providing that they are new, involve an inventive step, and are susceptible of industrial application.” However, in contrast to U.S. patent law, European patent law has enumerated subject matter that is excluded from protection. Among these exclusions, Article 53(b) of the EPC precludes protection for essentially biological processes for the production of plants. In addition, plant and animal varieties are excluded from patent protection. However, the outer limits of the exclusion have not previously been set: does Article 53(b) of the EPC exclude patent protection on all plants and animals, or does the statutory language make specific exceptions leaving room for non-varietal protection of plants and animals?

Recent Developments in Europe

A recent decision from the highest patent court in Europe—the European Patent Office Enlarged Board of Appeal—has confirmed that plants as products (as opposed to the processes for making them) are eligible for patent protection under European patent law.

The case involved two different patents—the first covering tomatoes with reduced fruit water content,

and the second covering broccoli with elevated levels of 3-methylsulfinylpropyl glucosinolates, or 4-methylsulfinylbutyl glucosinolates. The claims at issue in both patents were drafted as product-by-process claims, where the recited processes had previously be determined to be excluded by the EPC. The challengers to the patents argued that because the processes were excluded from patent protection, the products must also be excluded.

The two patents were granted, and each was the subject of a separate opposition proceeding at the European Patent Office. The cases were both referred to appeal boards to for determination of whether the claims were excluded under the EPC. Ultimately, the cases were both referred all the way to the highest patent court at the EPO where they were consolidated.

The Enlarged Board of Appeal decided three questions: (1) Whether the EPC exclusion of essentially biological processes for the production of plants precludes patent protection for product claims directed to plants or plant material such as plant parts; (2) Whether (a) the fact that the process features of the product-by-process claims were biological processes for the production of plants or (b) the fact that the only method available at the filing date for generating the claimed subject-matter is an essentially biological process for the production of plants disclosed in the patent application render the claims unallowable; and (3) whether it is relevant that the protection encompasses the generation of the claimed product by means of an essentially biological process for the production of plants excluded under the EPC. The Board answered all of these questions in the negative.

In concluding that the plant products were eligible under the EPC, the Board determined that the claimed subject matter was not limited or directed to a plant variety, but rather related to the EPC exclusion from patentability of “essentially biological processes for the production of plants” other than plant varieties. The board determined that the exception is limited to methods and processes, and does not encompass products that are obtained and/or defined by those methods or processes.

Inconsistency Within Europe

The EPO Enlarged Board of Appeal decision in the broccoli and tomato case represents a change in European patent law that should make it easier to obtain EPO patent protection for certain types of plants or plant products. However, as the Board noted in its decision, a number of EPO member countries—specifically Germany and the

¹ Asexually reproducing plants can also be protected by specific plant patents under 35 U.S.C. § 161.

Netherlands—have amended their own patent laws to exclude products derived from essentially biological processes. This may create situations where an EPO patent is granted, but will not be validated by particular member countries. Thus, while a majority of the EPO member countries do not have such exclusions—and should therefore not present additional hurdles for patent protection for plants—patent owners should be aware of the few potentially problematic situations within the EPO.

Although they have taken different paths in doing so, U.S. and European patent law with respect to plants have arrived at nearly the same point. This should make it possible for patent owners to pursue similar protection strategies in the U.S. and Europe.

MVS FILEWRAPPER® BLOG

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We have always been proud of the fact that the content is original content authored by MVS attorneys. Although there are many contributors, Daniel Lorentzen, Ph.D coordinates efforts and is also the firm's most prolific contributor.

We encourage clients interested in intellectual property developments to visit or subscribe to the blog.

WE'RE THERE

March 18-20, 2015

Jill Link attended the Colorado State University Summit in Fort Collins, CO.

March 22-26, 2015

Dan Lorentzen and Jonathan Kennedy attended the American Chemical Society's National Conference in Denver, CO.

April 15-17, 2015

Heidi Nebel and Jill Link attended the Bio Intellectual Property Counsels Committee Conference in St. Louis, MO.

April 16, 2015

Scott Johnson attended the Technology Association of Iowa Pitch and Grow event in Des Moines, IA.

April 24-25, 2015

Scott Johnson attended the Technology Association of Iowa Hyperstream IT Olympics in Ames, IA.

May 20-22, 2015

Heidi Nebel, Christine Lebrón-Dykeman and Scott Johnson attended EntreFEST 2015 in Iowa City, Iowa

June 5, 2015

Kirk Hartung, Mike Gilchrist, Kyle Coleman and Paul Mazzola will sponsor and attend the Polk County Bar Association Annual Bench & Bar Golf Tournament in Des Moines, IA.

June 18-20, 2015

Kirk Hartung and Paul Mazzola will attend the LEGUS meeting in New Orleans, LA. Kirk is on their advisory board for 2015.

July 20-22, 2015

Heidi Nebel and Daniel Lorentzen will attend the Association of University Technology Managers (AUTM) central region meeting in Nashville, TN.

August 16-20, 2015

Jill Link, Jonathan Kennedy and Dan Lorentzen will be at the 250th American Chemical Society National Meeting in Boston, MA.

September 1-2, 2015

Heidi Nebel and Jill Link will attend and present at the Association of University Technology Managers (AUTM) Partnering Forum in Kansas City, MO.

September 14-16, 2015

Jill Link and Daniel Lorentzen will attend the AgInnovation Showcase in St. Louis, MO.

September 27-29, 2015

Heidi Nebel will attend the Intellectual Property Owners Association annual meeting in Chicago, IL.

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